Department of Energy
Strategic Petroleum Reserve Project Management Office
900 Commerce East
New Orleans, Louisiana 70123

July 26, 2002

Dear Prospective Offeror:

REQUEST DE-RP96-02PO54300 FOR EXCHANGE OF ROYALTY OIL

The Department of Energy (DOE) is soliciting offers for the exchange of Royalty Oil produced from Federal offshore leases in the Gulf of Mexico for Exchange Oil to be delivered to the Strategic Petroleum Reserve (SPR). The delivery period of the Royalty Oil to be exchanged or delivered directly into the SPR will be for a six-month period, with the initial delivery commencing October 1, 2002. Deliveries of Exchange Oil to the DOE will commence on or after October 1, 2002 and must be completed by April 30, 2003. The Contractor will be required to take the full contracted amount of Royalty Oil over the contracted delivery period at the Market Center(s) specified in Exhibit A of this Request for Offers (RFO). The Exchange Oil provided to the DOE must meet the DOE crude oil specifications.

Under this solicitation the DOE will consider offers for the exchange of up to 8 million barrels of Royalty Oil. The closing date for receipt of offers is August 6, 2002, at 1100 hours (11:00 a.m.) local New Orleans, LA time. Offers are to be addressed to:

ATTN: M. G. Waggoner, Room 100
Department of Energy SPRPMO
900 Commerce Road East
New Orleans, LA 70123

Offers may also be submitted by facsimile (see Paragraph B.4). Offerors should use facsimile numbers: (504) 734-4947, (504) 734-4672, (504) 818-5444, or (504) 818-5776. Please refer to the enclosed instructions for submitting offers under this solicitation. Offerors are also requested to provide their Internet address.

The format for this solicitation is “negotiated,” which allows the DOE to discuss issues regarding price, proposed delivery period, quantity, or any other provision of this solicitation. However, the DOE may award a contract without discussions with Offerors. Therefore, each initial offer should contain the Offeror’s terms most advantageous to the DOE.

In order to encourage U.S.-flag offers, enclosed for your information is a listing of companies which own and/or operate US flagged tankers.

This solicitation does not commit the DOE to award contracts for exchange of Royalty Oil. Offer preparation costs as a result of this solicitation will not be borne by the DOE.

Thank you for your interest in the Strategic Petroleum Reserve. Should you have questions regarding this solicitation, please contact Rose Gaillard at (504) 734-4776, or the undersigned at (504) 734-4444. RIK0003@spr.doe.gov is the E-mail address for submitting questions or comments on this solicitation.

Sincerely,

M. G. Waggoner
Contracting Officer

Enclosure

Enclosure

U. S. Carriers, Top Companies by Fleet Size

Company and Address	Point of Contact	Telephone	No. of Vessels	Fleet Size (DWT)
Alaska Tanker Company, LLC 15400 NW Greenbriar Parkway Suite A400 Beaverton, OR 97006	Attn: Bruce Benn	(503) 207-0095	13	1,697,646
Polar Tankers,Inc. 300 Oceangate Long Beach, CA 90802-4341	Attn: Eric Rumley	(562) 388-1440	6	1,013,194
SeaRiver Maritime, Inc. P.O. Box 1512 Houston, TX 77251-1512	Attn: Robert McCormack	(713) 758-5218	5	811,855
Hess - Sheridan Group One Hess Plaza Woodbridge, NJ 07095	Attn: Joe Gehegan	(732) 750-7110	1	46,000

Source: U.S. Maritime Administration

U.S. DEPARTMENT OF ENERGY

STRATEGIC PETROLEUM RESERVE
PROJECT MANAGEMENT OFFICE
NEW ORLEANS, LA

REQUEST FOR OFFERS (RFO)
DE-RP96-02PO54300

REQUEST FOR OFFERS

FOR EXCHANGE OF

ROYALTY OIL

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SECTION A - SOLICITATION

A.1 Introduction

a. The Department of Energy (DOE), Strategic Petroleum Reserve Project Management Office (SPRPMO) is soliciting written offers for the exchange of up to 8 million barrels of Royalty Oil produced from Federal offshore leases in the Gulf of Mexico for Exchange Oil to be delivered to the DOE. Offers will be accepted on a competitive basis. The closing date for receipt of offers is August 6, 2002, at 1100 hours (11:00 a.m.) local New Orleans, LA time. Offerors have the flexibility in structuring the offer to provide the DOE with domestic and/or foreign crude oil.

b. The Royalty Oil available to the Contractor will be from the Market Center(s) described in Exhibit A.

c. The Exchange Oil delivered to the DOE shall meet the specifications in Exhibit F. Acceptance of any Exchange Oil offered for delivery will be subject to the Contracting Officer’s approval. Gravity and sulfur differentials will be used to determine quality adjustments for any Exchange Oil delivered which varies from the quality specifications of the Exchange Oil contracted.

d. The minimum offer quantity of Royalty Oil to be exchanged over the contract period is three million barrels.

e. Final reconciliation of contract amounts at the end of the contract period may require monetary reimbursement due to insignificant quantities.

f. Royalty Oil deliveries to the Contractor will commence October 1, 2002. The Royalty Oil delivery period will be for a term of six months ending March 31, 2003. The Contractor’s Exchange Oil deliveries to the DOE may begin October 1, 2002, and shall be completed no later than April 30, 2003.

g. The DOE does not warrant the quantities or qualities of the streams at the Market Center(s) described in Exhibit A.

h. The contractor may be required to provide assay data for the Exchange Oil being offered for delivery under this contract.

A.2 Description

Delivery of the Exchange Oil can be made to two DOE sites (Big Hill or West Hackberry). See Exhibits C and I.

a. The Big Hill site is connected via a 36-inch pipeline from the Sun Partners Marketing & Terminals LP (Sun) and Union Oil Company of California (UNOCAL) terminals and a pipeline connection from Shell Pipeline Company LP (20-inch pipeline).

b. The West Hackberry site is connected via a 42-inch pipeline from the Sun Terminal and by a 36-inch pipeline from Shell Pipeline Company LP 22-inch pipeline at Lake Charles.

A.3 Definitions

As used throughout this solicitation, the following terms shall have the meaning set forth below:

a. “Royalty Oil” means that portion of crude oil to which the Government is entitled as the royalty percentage of the production from Federal leases and which is made available at the Market Center(s).

b. Exchange Oil means that crude oil (domestic or foreign) which is being provided to the U.S. Department of Energy Strategic Petroleum Reserve in exchange for the Royalty Oil received from the Government. Note: Royalty Oil which meets SPR specifications may be provided directly to the SPR as Exchange Oil.

c. “Government”, unless otherwise indicated in the text, means the United States Government.

d. “Strategic Petroleum Reserve” (SPR) means that DOE program established by Title I, Part B, of the Energy Policy and Conservation Act, 42 U.S.C. Section 6201, et seq.

e. “Contracting Officer” means a person with the authority to enter into, administer, and/or terminate contracts and make related determinations and findings on behalf of the Government.

f. “DOE” means the U.S. Department of Energy.

g. “Offeror” or “Contractor” herein means individuals, corporations, partnerships, or governmental entities making written offers under this RFO.

h. “SPRPMO” means the Strategic Petroleum Reserve Project Management Office.

i. “API” means the American Petroleum Institute.

j. “Barrel” means 42 U.S. gallons or 231 cubic inches per gallon corrected to 60 degrees Fahrenheit.

k. "Crude Oil" means a mixture of hydrocarbons that existed in the liquid phase in natural underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities and is marketed or used as such.

l. "Force Majeure" means a failure to perform under the contract due to factors beyond the control of either party, as further defined in Section E.

m. "Irrevocable Standby Letter of Credit" means a written commitment (by a depository institution located in and authorized to do business in any state of the United States or the District of Columbia, and authorized to issue letters of credit by the banking laws of the United States or any state of the United States or the District of Columbia) to pay all or part of a stated amount of money until the expiration date of the letter or upon presentation by the Contracting Officer (the beneficiary) of a written demand therefor. Neither the financial institution nor the Offeror/Contractor can revoke or condition the Letter of Credit.

n. "Market Center" means the location at which the royalty oil is transferred from the DOE to the Contractor.

A.4 Receipt of Royalty Oil at the Market Center

All costs associated with the receipt of Royalty Oil at the Market Center will be absorbed by the Contractor, to include, but not be limited to, tariffs, intermediate storage, "pump out" and throughput charges. Any costs associated with oil accountability standard industry practice documentation will also be absorbed by the contractor.

A.5 Receipt of Exchange Oil at the DOE Sites

a. Maximum receipt capabilities of Exchange Oil at the DOE sites are as follows

Note: Receipt capabilities may decline as SPR caverns are filled.

Big Hill	225,000 barrels per day
West Hackberry	225,000 barrels per day

b. All costs associated with the transportation of the Exchange Oil to the point at which title is transferred to the DOE will be absorbed by the Contractor, to include but not be limited to, tariffs, marine shipment, pipeline shipment, U.S. Customs duties, harbor and environmental fees (including Texas Coastal protection fees), terminalling and tankage charges. There are exceptions for Exchange Oil being delivered to the Big Hill DOE site. Terminalling costs (tankage) at Sun Terminal for deliveries to Big Hill will be for the DOE account. Offerors should not include these costs in their offer(s) for applicable Big Hill deliveries.

c. Within 30 days after contract award, the Contractor shall submit a ratable schedule, for the DOE Contracting Officer's approval, providing the volume of Exchange Oil to be delivered each month to each DOE delivery location. The ratable delivery schedule may allow for economic delivery-size marine cargos and/or commercial pipeline batch shipments (not less than 50,000 barrels per batch), to be spaced within the constraints of the DOE site receipt capabilities. The DOE must approve subsequent changes to the original schedule.

d. If the Contractor fails to deliver 90 percent of the original scheduled volume in any month (see A.5.c.), the under-delivered amount below the 90 percent threshold will incur interest payable in oil to the DOE. Interest shall be computed on a daily basis. The interest rate shall be in accordance with the Current Value of Funds rate as established by the Department of the Treasury in accordance with the Debt Collection Act of 1982 and published periodically in the Bulletins to the Treasury Fiscal Requirements Manual and in the Federal Register. The amount of interest will be determined by the value of the oil from the end of the month the oil was under-delivered until the cumulative amount of delivered oil achieves 90 percent of the cumulative scheduled amount through the current month or the end of the Exchange Oil delivery period, whichever occurs first. The interest owed to the DOE shall be made in the form of crude oil meeting the specifications in Exhibit F. However, if this is not operationally feasible due to insufficient quantities to comprise a normal oil delivery, the DOE may invoice the Contractor in accordance with the cost value derived from data published in Platt's Oilgram Price Report.

e. The availability of storage capacity and delivery periods for Exchange Oil at the DOE sites is as follows:

	Volume (000,000 Barrels)		Delivery Period
	Sweet	Sour	
Big Hill	48.3	19.6	10/02– 04/03*
West Hackberry	11.5	16.7	10/02- 04/03*

*Excluding January 2003

f. While the SPR can receive the site delivery volumes as stated in paragraph A.5.a, offerors are cautioned that, due to commercial volumes at the terminals/pipelines, delivery timeframes may be restricted. Offerors are responsible for ensuring that deliveries to the SPR can be accommodated through the applicable commercial terminals/pipelines and the SPR site(s).

A.6 Inventory Close-out Reconciliation (if applicable)

After completion of the final scheduled delivery of Exchange Oil under the contract, imbalances may exist in the crude oil volumes agreed upon in the contract. These imbalances will be reconciled in the following manner:

a. If the DOE receives an amount of Exchange Oil that exceeds the contracted Exchange Oil delivery volume, the Government will continue to make Royalty Oil available to the Contractor until the additional contract volumes, based on the March 2003 exchange ratio(s), are completed. However, if this is not feasible due to insufficient quantities, the Contractor may invoice the DOE based on the cost value of the Exchange Oil on the date of the last delivery or cost value of the Royalty Oil at the end of the contracted delivery period, whichever is lowest.

Note: The cost value is derived from the data published in the Platt's Oilgram Price Report. If no published prices are available, a mutually agreed upon price will be negotiated. Should the parties fail to reach a negotiated price, the Government shall determine a fair and reasonable price subject to Provision G.5 entitled "Disputes".

b. If the Contractor delivers a total volume of Exchange Oil which is less than the contracted quantity, the DOE will invoice the Contractor for the undelivered amount based on the cost value of the Exchange Oil on the date of the last delivery as annotated on the DD250 or cost value of the Royalty Oil at the end of the contracted delivery period, whichever is highest. If no payment is received by the due date specified on the invoice, the applicable amount owed will be drawn against the Contractor's Letter of Credit. (See Note in Paragraph A.6.a. above)

A.7 Adjustment for Quality Differential for Exchange Oil

a. A quality differential shall be computed for each cargo of Exchange Oil delivered to the DOE as compared to the contracted quality specifications (American Petroleum Institute (API) Gravity and Sulfur mass percent listed in Exhibit E) of the Exchange Oil to be delivered.

b. Laboratory tests for API Gravity and Sulfur mass percent, in accordance with tests methods listed in Exhibit F, shall be taken when custody of the Exchange Oil is passed to the DOE.

Note: The quality differential adjustments for the Exchange Crude Oil delivered by the Contractor to the DOE will only apply in those instances wherein the quality of the crude oil being returned to the Government is below that which was listed in the Contractor's offer of Exchange Crude Oil to be delivered to the Government. Specifically, the Government shall not be liable for any quality increase of the Contractor's Exchange Oil that is above the crude oil quality specifications listed in the contract for the Contractor's return of Exchange Oil.

c. The allowable variations from the contracted quality are as follows:

Quality Characteristics	Sour	Sweet
API° Gravity	- 0.5	- 0.5
Sulfur - Mass, %	+ 0.20	+ 0.10

d. Where practicable, so as to avoid monetary adjustments, the quality adjustments shall be paid in crude oil based on the following rates:

(1) API Gravity: Adjustment for Sour Crude oil is 1.5¢ per barrel for each 1/10th degree (0.1°) decrease in API Gravity by which the allowable variations set forth above is exceeded. Adjustment for Sweet crude oil is 2¢ per barrel for each degree (1.0°) decrease in (API) Gravity, or part thereof, by which the allowable variations set forth above is exceeded.

(2) Total Sulfur: 1.0¢ per barrel for each 1/100th percent (0.01%) increase in total sulfur by which the allowable variations set forth above are exceeded.

A.8 Request(s) for Alternate Crude Oil Types for Delivery to SPR

After award, if the contractor offers a crude oil which is not in its contract, the Government will evaluate the offer to determine whether the current price of the crude exceeds the current contracted value of crude oil (or if a basket of crudes is in the contract whether the offered crude oil value exceeds the minimum crude oil price of the lowest crude in the basket). If the crude oil price offered equals or exceeds the contracted oil price (or the contractor agrees to pay the price differential to match the current lowest crude price in the contract) and meets the specifications listed in Exhibit F, it will be accepted. This evaluation will be done on a case-by-case basis for each cargo tendered for delivery and will not be added automatically to the basket of contracted crude oils (or single crude) in the contract for future deliveries.

A.9 National and Operational Emergencies

Exchange Oil deliveries to the DOE may be suspended or redirected upon the determination of a national or DOE operational emergency.

SECTION B - OFFERS

B.1 Preparation and Submission of Offers

a. Offerors may telephone the Contracting Officer at (504) 734-4444 prior to the submission of an offer to clarify issues regarding this crude oil exchange initiative.

b. For each line item in Exhibit A for which the Offeror submits an offer, the offer may be for all or part of the Royalty Oil advertised but must be for the entire period of this contract. All offers shall be submitted on the form provided at Exhibit B. For each line item in Exhibit A for which the Offeror submits an offer, the following information shall be provided on Exhibit B: (1) Royalty Oil Market Center/Oil Type, (2) Royalty Oil barrels per day, (3) Royalty Oil total contract volume, (4) Exchange Oil crude oil type, (5) the “Y” constant as described below, (6) Exchange Oil API Gravity, (7) Exchange Oil sulfur % weight, (8) Exchange Oil delivery mode/location and (9) DOE sites.

For purposes of offer evaluation, the monthly quantity of Exchange Oil shall be based on the following formula, (A/B) x (monthly quantity of Royalty Oil), where:

"A" is the value ($/bbl) of the Royalty Oil at the Market Center where:

> Such value is determined as the average of the daily high and low spot quotes (to the $0.001) as published in Platt's Oilgram Price Report for crude oil for the period May 26, 2002 through June 25, 2002, inclusive; and

"B" is the value of the Exchange Oil ($/bbl) at the SPR delivery point as expressed by the formula (WTI + Y), where:

> "WTI" is the average of the daily high and low daily spot quotes (to the $0.001) for West Texas Intermediate as published in Platt's Oilgram Price Report for the period May 26, 2002 through June 25, 2002, inclusive; and
>
> "Y" is a constant specified by the Offeror on Exhibit B (to the $0.001) to represent factors, including but not limited to location, quality, and market factors. If a basket is offered one "y" value shall be provided per basket.

The ratio A/B will be computed to three decimal places (0.001).

EXAMPLE

Assume monthly LLS Royalty Oil production is 4800 bbls

LLS = $25.435
WTI = $25.260
Y = $1.572

A/B = (LLS)/(WTI + Y)
A/B = ($25.435)/($25.260 + $1.572)
A/B = $25.435/$26.832
A/B = 0.948

0.948 x 4800 bbls = 4550 bbls of Oil for delivery to the SPR

For each month beginning with October 2002, a new ratio will be determined based on the values of WTI and the Market Center crude effective for the period beginning on the 26th day of the second month prior to and ending on the 25th day of the month preceding the month of delivery. This ratio multiplied by the volume of Royalty Oil received will provide the amount of Exchange Oil due for that month.

To more accurately reflect only those dates on which trading activity occurred, no weekends or holidays will be used in the computation.

For the purposes of the example above, the following price effective dates for May 26 through June 25, 2002 were used:

May 28, 29, 30, 31
June 3, 4, 5, 6, 7, 10, 11, 12, 13, 14, 17, 18, 19, 20, 21, 24, 25

The calculated prices for this period were:

LLS = $25.435
WTI = $25.260

c. Each Offeror shall complete and furnish Section H - Certifications along with its offer. Additionally, each Offeror shall sign and return a blank Exhibit E - Contract Form. The DOE will complete Exhibit E with the awarded line item(s) unless otherwise specified by the Offeror (i.e. “all or none”).

d. Offers and modifications submitted by mail or hand delivered shall be enclosed in a sealed envelope and addressed to:

ATTN: M. G. Waggoner, FE-4451, Room 100
U.S. Department of Energy
Strategic Petroleum Reserve Project Management Office
900 Commerce Road East
New Orleans, LA 70123

e. Place the name and address of the Offeror in the upper left corner and the following information in the lower left corner on the face of the envelope: Solicitation of Offers: DE-RP96-02PO54300.

f. Offerors may submit facsimile offers under this solicitation. Facsimile offers shall arrive at the place, and by the time, specified in the solicitation. This means the submission of a faxed offer must be <u>completely</u> received by the time set for closing to be considered timely (see Paragraph B.4). Offerors should use facsimile numbers: (504) 734-4947, (504) 734-4672, (504) 818-5444, or (504) 818-5776.

g. By the submission of an offer, the Offeror agrees to be bound by the terms and conditions of this solicitation.

h. All offers in response to this solicitation and all modifications of offers shall be in the English language. All correspondence between Offerors and DOE shall be in the English language.

i. An offer must remain firm for 72 hours from official time for receipt of offers unless otherwise indicated on the offer form at Exhibit B.

B.2 Offer Guarantee

a. Each offeror must submit an acceptable offer guarantee for each offer submitted. Each offer guarantee must be received at the place and time specified for receipt of offers no later than the time and date set for receipt of offers.

b. An offeror's failure to submit a timely acceptable guarantee will result in rejection of its offer.

c. The amount of each offer guarantee is $3 million or 5 percent of the maximum potential contract amount, whichever is less. The maximum potential contract amount is calculated by multiplying the total amount of barrels by the average of the quotes for WTI as published in Platt's Oilgram Price Report for the period July 29, 2002 through August 2, 2002.

d. Each offeror must submit an irrevocable standby letter of credit from a U.S. depository institution containing the substantive provisions set out in Exhibit G, Offer Standby Letter of Credit, all letter of credit costs to be borne by the offeror. If the letter of credit contains any provisions at variance with Exhibit G or fails to include any provisions contained in Exhibit G, nonconforming provisions must be deleted and missing substantive provisions must be added or the letter of credit will not be accepted. The depository institution must be located in and authorized to do business in any state of the United States or the District of Columbia, and authorized to issue letters of credit by the banking laws of the United States or any state of the United States or the District of Columbia. The original letter of credit must be sent to the Contracting Officer. The issuing bank must provide documentation indicating that the person signing the letter of credit is authorized to do so, in the form of corporate minutes, the Authorized Signature List, or the General Resolution of Signature Authority.

e. If the offeror or bank forwards the letter of credit separately from the offer, the envelope shall clearly be marked "Offer Standby Letter of Credit (Name of Company)" and also marked in accordance with Provisions B.1.d and e. Offerors are cautioned that if they provide more than one Offer Standby Letter of Credit for multiple offers and, due to the absence of clear information from the offeror, the Government is unable to identify which Letter of Credit applies to which offer, the Contracting Officer in his sole discretion may assign the Letters of Credit to specific offers.

f. The offeror shall be liable for any amount lost by DOE due to the difference between the offer and exchange quantities received on a subsequent solicitation, and for any additional costs incurred by the DOE in the event that the offeror:

(1) Withdraws its offer after having agreed to extend its acceptance period; or

(2) Having received a notification of award, fails to furnish an acceptable performance standby letter of credit (see Provision B.9) within the time limit specified by the Contracting Officer.

The offer guarantee shall be used toward offsetting such price difference or additional re-exchange costs. Use of the offer guarantee for such recovery shall not preclude recovery by DOE of damages in excess of the amount of the offer guarantee caused by such failure of the offeror.

g. Letters of Credit furnished as offer guarantees must be valid for at least 30 calendar days after the date set for the receipt of offers.

h. If offer(s) are not accepted, the Letters of Credit will be returned upon request.

i. If an offeror defaults on its offer, DOE will hold the offer guarantee so that damages can be assessed against it.

B.3 Late Submissions, Modifications, and Withdrawals of Offers

a. Any offer received at the office designated in the solicitation after the exact time specified for receipt shall not be considered unless it is received before award is made and it:

(1) Was sent by registered or certified mail not later then the fifth (5^{th}) calendar day before the day specified for receipt of offers (e.g., an offer submitted in response to a solicitation requiring receipt of offers by the tenth (10^{th}) of the month shall have been mailed by the fifth (5^{th})); or

(2) Was sent by mail and it is determined by the Government that the late receipt was due solely to mishandling by the Government after receipt at the Government installation; or

(3) Was sent by U.S. Postal Service Express Mail Next Day Service-Post Office to Addressee, not later than 5:00 p.m. at the place of mailing two working days prior to the date specified for receipt of proposals. The term working days excludes weekends and U.S. Federal holidays; or

(4) Is the only offer received.

b. Any modification of an offer, except a modification resulting from the Contracting Officer's request for "best and final" offer, is subject to the same conditions as in Subparagraphs B.3(a.)(1), (2), and (3) of this provision.

c. A modification resulting from the Contracting Officer's request for best and final offer received after the time and date specified in the request shall not be considered unless received before award and the late receipt is due solely to mishandling by the Government after receipt at the Government installation.

d. The only acceptable evidence to establish the date of mailing of a late offer or modification sent either by registered or certified mail is the U.S. or Canadian Postal Service postmark both on the envelope or wrapper and on the original receipt from the U.S. or Canadian Postal Service. Both postmarks shall show a legible date of the offer or modification shall be processed as if mailed late. Postmark means a printed, stamped, or otherwise placed impression (exclusive of a postage meter machine impression) that is readily identifiable without further action as having been supplied and affixed by employees of the U.S. or Canadian Postal Service on the date of mailing. Therefore, Offerors should request the postal clerk to place a legible hand cancellation bull's eye postmark on both the receipt and the envelope or wrapper.

e. The only acceptable evidence to establish the time of receipt at the Government installation is the time/date stamp of that installation on the proposal wrapper or other documentary evidence of receipt maintained by the installation.

f. The only acceptable evidence to establish the date of mailing of a late offer, modification, or withdrawal sent by Express Mail Next Day Service-Post Office to Addressee is the date entered by the Post Office receiving clerk on the "Express Mail Next Day Service-Post Office to Addressee" label and the postmark on both the envelope or wrapper and on the original receipt from the U.S. Postal Service. "Postmark" has the same meaning as defined in Paragraph (d) of this provision, excluding postmarks of the Canadian Postal Service. Therefore, Offerors should request the postal clerk to place a legible hand cancellation bull's eye postmark on both the receipt and the envelope or wrapper.

g. Notwithstanding Paragraph B.3.(a) of this provision, a late modification of an otherwise successful offer that makes its terms more favorable to the Government shall be considered at any time it is received and may be accepted.

B.4 Facsimile Offers and Modifications

a. Definition: "Facsimile offer/modification," as used in this solicitation, means an offer, a modification of an offer, or withdrawal of an offer that is transmitted to and received by the Government via electronic equipment that communicates and reproduces both printed and handwritten material.

b. Offerors may submit facsimile offers under this solicitation. Facsimile offers shall arrive at the place, and by the time, specified in the solicitation. This means the submission of a faxed offer must be completely received by the time set for closing to be considered timely. Offerors should use facsimile numbers: (504) 734-4947, (504) 734-4672, (504) 818-5444, or (504) 818-5776.

c. Facsimile offers/modifications that reject any of the terms, conditions, and provisions of this solicitation, are otherwise incomplete, or contain garbled information may be excluded from consideration.

d. Facsimile offers/modifications shall contain the required signatures.

e. If requested to do so by the Contracting Officer, the Offeror agrees to promptly submit the complete original signed offer/modification.

f. If the Offeror chooses to transmit a facsimile offer/modification, the Government shall not be responsible for any failure attributable to the transmission or receipt of the facsimile offer/modification, including, but not limited to, the following:

(1) Receipt of garbled or incomplete offer/modification.

(2) Availability or condition of the receiving facsimile equipment.

(3) Incompatibility between the sending and receiving equipment.

(4) Delay in transmission or receipt of the offer/modification.

(5) Failure of the Offeror to properly identify the offer/modification.

(6) Illegibility of offer/modification.

(7) Security of the data contained in the offer/modification.

B.5 Consideration of Offers

a. The DOE shall award contract(s) resulting from this solicitation to those responsible Offeror(s) whose offer(s) conforming to the solicitation shall in the DOE's judgment be most advantageous to the Government.

b. The DOE reserves the right to reject any or all offers, to waive any informalities and minor irregularities in an offer, and unless otherwise specified by the Offeror, to accept any one item or group of items in an offer, as may be in the best interest of the DOE.

c. The DOE may award a contract on the basis of initial offer(s) received, without discussions. Accordingly, each initial offer should be submitted on the most favorable terms. However, the DOE reserves the right to conduct discussions with any Offeror if it is later determined by the Contracting Officer to be necessary. In the event the DOE requests best and final offers, a date and time for receipt of such offers shall be set forth in the request. Any best and final offers received after the time and date specified for the receipt of best and final offers shall not be considered unless they are received before award and the late receipt is due solely to mishandling by the Government after receipt at the Government installation.

d. The DOE reserves the right to award a contract for a quantity of Royalty Oil that is less than the quantity requested unless the Offeror specifies otherwise in the offer. (Ref B.1.b.)

B.6 Determination of Responsibility

Offeror(s) shall furnish sufficient information for the Contracting Officer to make a determination of responsibility. At a minimum, offerors shall furnish enough data for the Contracting Officer to determine adequate financial capability. (See Provision H.4).

B.7 Evaluation Procedure for Award

a. Offers shall be evaluated based on the best value offered to the DOE. Evaluation of the offers shall consider the Exchange Oil quality, the ratio of Exchange Oil provided to the DOE in relation to the Royalty Oil provided to the Contractor, and the market value of the crude oils. If offers for multiple ("basket") crudes are received, the lowest valued crude oil within that basket will be used for evaluation purposes. Note: If a basket is offered, one "y" value shall be provided per basket.

b. Each offer will be considered on its own merits for comparison with other offers for that specific line item in Exhibit A.

c. The requirements of the Cargo Preference Act of 1954, as amended (Title 46 USC 1241 (b)) (See Exhibit K), apply to marine vessel deliveries under this program. In order to facilitate and encourage the participation of U.S.-flag commercial vessels in the marine transportation of Exchange Oil to the DOE, preference shall be given to reasonable offers that designate delivery on qualified U.S.-flag vessels. The Government recognizes the increased transportation costs incurred in using U.S.-flag vessels and shall consider such costs in its evaluation of offers. However, this preference does not preclude the award of contracts using foreign-flag vessels.

B.8 Contract Award

A written award or acceptance of offer mailed or otherwise furnished to the successful Offeror within the time for acceptance specified in the offer shall result in a binding contract without further action by either party. Before the offer's specified expiration time, the DOE may accept an offer (or make an offer) whether or not there are negotiations after its receipt. Negotiations conducted after receipt of an offer are not a rejection or counteroffer by the DOE.

B.9 Performance Letter of Credit

a. Within five business days after receipt of award, the Purchaser must provide to the Contracting Officer an "Irrevocable Standby Letter of Credit" established in favor of the United States Department of Energy equal to 60 percent of the value of the contracted quantity of the Exchange Oil at the time of contract award, (in accordance with Note in A.6.a.) and containing the substantive provisions set out in Exhibit H. If multiple ("basket") crudes are offered, the highest value of the crudes offered must be used in the calculation of the amount of the Irrevocable Letter of Credit established. The letter of credit must be issued by a depository institution located in and authorized to do business in any state of the United States or the District of Columbia, and authorized to issue letters of credit by the banking laws of the United States or any state of the United States or the District of Columbia. The original of the letter of credit must be sent to the Contracting Officer at the address specified in Paragraph B.1.d. of this solicitation. Failure to provide the letter of credit shall constitute grounds for termination of contract(s) for default.

b. The letter of credit must be an "Irrevocable Standby Letter of Credit" and MUST NOT VARY IN SUBSTANCE from the sample in Exhibit H. If the letter of credit contains any provisions at variance with Exhibit H or fails to include any provisions contained in Exhibit H, nonconforming provisions must be deleted and missing substantive provisions must be added or the letter of credit will not be accepted. The letter of credit must be effective on or before October 1, 2002 and remain in effect through May 31, 2003, must permit multiple partial drawings, and must contain the contract number. The issuing bank must provide documentation indicating that the person signing the letter of credit is authorized to do so, in the form of corporate minutes, the Authorized Signature List, or the General Resolution of Signature Authority.

c. All wire deposit and letter of credit costs will be borne by the purchaser.

SECTION C - QUALITY AND QUANTITY DETERMINATION/INSPECTION AND ACCEPTANCE

C.1 Custody Transfer of Royalty Oil Received by the Contractor

All Royalty Oil contracted for and delivered at the Market Center must be accepted by the Contractor for the entire Royalty Oil delivery period. If additional Royalty Oil (over the contracted amount) is made available, the Contractor is obligated to take delivery of that oil and the exchange delivery amount will be adjusted accordingly. The Contractor will take custody of the Royalty Oil at the Market Center.

C.2 Custody Transfer Measurements for Delivery of Exchange Oil to the DOE

Custody transfer measurements will be in accordance with established API standards and will be witnessed by a U.S. Government representative. The Contractor may witness the measurement and testing of Exchange Oil for its account and/or may provide, at Contractor's expense, a Contractor's inspector to witness the measurement and testing process. The custody transfer measurements of the Exchange Oil to be delivered by the Contractor to the DOE facilities will be based on the following delivery locations.

a. Sun Partners Marketing & Terminals LP

(1) Sun Partners Marketing & Terminals LP, Nederland, TX for delivery to the DOE Big Hill Site – Sun dock meters and Sun dock certified in-line sampler or Sun shore tank gauges and Sun shore tank composite sample, or certified automatic in-line sampler taken on delivery into the Sun tankage to the DOE Big Hill Site. The tests specified in Exhibit F shall be performed by the Sun facility laboratory.

Note: If the Contractor's delivery of crude oil to DOE at Sun utilizes non-static Sun tankage, the custody transfer and quantity measurements shall be determined when the crude oil passes through the Sun dock meters. A sample collected from the Sun dock certified automatic in-line sampler shall be used for quality determination. API gravity, S&W, and sulfur will be determined in the Sun facility laboratory. In the event the dock meters and/or sampler fail, the backup measurement is the vessel discharge volume and vessel composite sample.

(2) Sun Partners Marketing & Terminals LP, Nederland, TX for delivery to the DOE West Hackberry Site – Sun shore tank gauges and Sun shore tank composite sample or certified automatic in-line sampler taken on delivery out of the Sun Partners Marketing & Terminals LP tankage to the DOE West Hackberry Site. The tests specified in Exhibit F shall be performed by the Sun facility laboratory.

Note: If the Contractor's delivery of crude oil to DOE at Sun utilizes non-static Sun tankage, the custody transfer and quantity measurements shall be determined when the crude oil passes through the Sun dock meters. A sample collected from the Sun dock certified automatic in-line sampler shall be used for quality determination. API gravity, S&W, and sulfur will be determined in the Sun facility laboratory. In the event the dock meters and/or sampler fail, the backup measurement is the vessel discharge volume and vessel composite sample.

b. Union Oil Company of California, Nederland, TX – UNOCAL shore tank gauges and UNOCAL shore tank composite sample or certified automatic in-line sampler taken on delivery out of UNOCAL Terminal. The tests specified in Exhibit F shall be performed by the DOE or by a DOE-contracted laboratory.

c. Shell Pipeline Company LP 20" pipeline connection to the DOE Big Hill 36-inch pipeline - the custody transfer measurements shall be taken at the Big Hill custody meter and automatic in-line sampler. The tests specified in Exhibit F shall be performed by the DOE or by a DOE-contracted laboratory.

d. DOE Lake Charles Meter Station (LCMS) connection to the Equilon Pipeline Company LLC 22" pipeline - the custody transfer measurements shall be taken at the DOE LCMS custody transfer meters and automatic in-line sampler. The sample analysis shall be performed by the DOE West Hackberry facility. The balance of the tests specified in Exhibit F shall be performed by the DOE or by a DOE-contracted laboratory.

C.3 Exchange Oil Quality Determination

a. Upon vessel arrival at a discharge terminal but prior to discharge, the ship's composite tank sample shall be tested and verified by a DOE contracted facility for API Gravity, and Sediment and Water tests to allow commencement of discharge.

b. The quality of the Exchange Oil that is delivered by the Contractor to the DOE will be determined from samples taken from the terminal delivery tanks in accordance with API Manual of Petroleum Measurement Standards, Chapter 8.1, Manual Sampling of Petroleum and Petroleum Products (American Society for Testing Materials (ASTM) D4057), latest edition; or from a representative sample collected by an automatic sampler whose performance has been proven in accordance with the API Manual of Petroleum Measurement Standards, Chapter 8.2, Automatic Sampling of Petroleum and Petroleum Products (ASTM D4177), latest edition. Preference will be given to samples collected by means of an automatic sampler when such a system is available and operational.

c. If the Exchange Oil tendered for delivery to the DOE does not meet the crude oil specifications as provided in Exhibit F, the Government reserves the right to refuse the acceptance of the delivery and the provisions of G.4. Default may apply.

d. The Contractor or his representative may, at its option, arrange to witness and verify testing simultaneously with the Government Representative. Such services, however, will be for the account of the Contractor. Any disputes will be settled in accordance with Paragraph G.5. Should the Contractor opt not to witness the testing, then the Government findings will be binding on the Contractor.

C.4 Exchange Oil Quantity Determination

a. The quantity of the Exchange Oil that is delivered by the Contractor to the DOE will be determined by opening and closing tank gauges (with adjustment for opening and closing free water and Sediment and Water tests as determined from shore tank samples where an automatic sampler is not available) or delivery meter reports. All volumetric measurements will be corrected to net standard volume in barrels at 60°F, using the API Manual of Petroleum Measurement Standards, Chapter 11.1, Volume 1, Volume Correction Factors (ASTM D1250) (IP 200); Table 5A-Generalized Crude Oils, Correction of Observed API Gravity to API Gravity at 60°F; Table 6A-Generalized Crude Oils, Correction of Volume to 60°F Against API Gravity at 60°F, latest edition, and by deducting the tank’s free water, and the entrained Sediment and Water as determined by the testing of composite all levels samples taken from the delivery tanks; or by deducting the sediment and water as determined by testing a representative portion of the sample collected by a certified automatic sampler, and also corrected by the applicable pressure correction factor and meter factor.

b. The quantity measurements shall be performed and certified by the Government’s responsible party for delivery operations, and witnessed by the Government’s Representative at the delivery point. The Contractor may, at its option, have representatives present at the gauging/metering, sampling, and testing. Should the Contractor arrange for additional inspection services, such services will be for the account of the Contractor. Any disputes shall be settled in accordance with Paragraph G.5. Should the Contractor not arrange for additional services, then the Government’s quantity determination shall be binding on the Contractor.

C.5 Title to Crude Oil

a. Title and custody for the Royalty Oil will be transferred to the contractor at the Market Center custody transfer point.

b. Title to the Exchange Oil delivered to the SPR will be transferred to the DOE at the custody transfer measurement locations listed in Provision C.2.

c. The DOE shall have the right to reject any Exchange Oil which, when tendered for delivery, may be involved in litigation, or the title of which may be in dispute. Also, the DOE may require of the Contractor satisfactory evidence of the Contractor's perfect and unencumbered title or satisfactory indemnity bond. The Contractor warrants and guarantees that it has good title thereto to the Exchange Oil being provided to the DOE.

SECTION D - PAYMENT

D.1 Method of Payments

Payment for Royalty Oil shall be Exchange Oil delivered to the SPR in accordance with the terms of the contract.

D.2 Monetary Settlements

Amounts due based on imbalances/adjustments as noted in Provisions A.5 and A.6, shall be in U.S. Dollars, by means of electronic transfer of funds (ACH or Fedwire). Contractors shall provide bank and account information to the DOE for all amounts due to the Contractor. Amounts due to the DOE shall be invoiced and will become due and payable upon receipt of invoice. Nonpayment of the invoice constitutes the condition under which the invoice will be drawn against the Letter of Credit.

SECTION E – FORCE MAJEURE

Force Majeure means, except for payment due hereunder, either party hereto shall be relieved from liability for failure to perform hereunder for the duration and to the extent such failure is occasioned by war, riots, insurrections, fire, explosions, sabotage, strikes, and other labor or industrial disturbances, acts of God or the elements, disruption or breakdown of production or transportation facilities, or delays of pipeline carrier in receiving and delivering crude oil tendered. Any such failures to perform shall be remedied with all reasonable dispatch.

SECTION F - SHIPPING

F.1 Scheduling of Royalty Oil Movements

a. The Contractor, at its expense, shall make all necessary arrangements to receive delivery of Royalty Oil at the Market Center, to include all accounting, documentation, and pump through charges at the custody transfer point.

b. The Contractor agrees to take 100 percent of the contracted amount of Royalty Oil delivered to it at the Market Center for the entire delivery period of this contract and to take additional Royalty Oil if made available by the Government. To facilitate timely and accurate delivery of Royalty Oil, the Contractor or its agent will communicate directly with the Pipeline Operator and make arrangements for the delivery and transfer of Royalty Oil from the Market Center

c. Each month of the Royalty Oil delivery period, the Contractor will notify the DOE within 15 days following each monthly delivery period regarding the quantities of Royalty Oil received.

F.2 Scheduling of Exchange Oil Movements

a. For marine deliveries, the Contractor shall nominate a delivery program to the DOE not later than seven days prior to the start of each month in which deliveries will be made. The nomination will include a three-day delivery date range for each cargo, the type of oil, and the approximate delivery volume. The DOE will respond to each Contractor within five days of receipt of the schedule either confirming the schedule as originally submitted or proposing alterations. The Contractor shall be deemed to have agreed to those alterations unless the Contractor requests the DOE to reconsider its request within two days. The DOE will use its best efforts to accommodate such requests, but its decision following any reconsideration shall be final and binding.

(1) No later than seven days prior to each delivery, the Contractor shall nominate the name of the vessel, the expected date of arrival, and the volume to be delivered. The DOE will accept or reject the nomination, without prejudice, and advise the Contractor within one business day of the disposition of vessel nominated.

(2) The Contractor, or its designated agent, will provide pre-arrival notices 72 hours, 48 hours and 24 hours prior to discharge to both the DOE and the discharge terminal.

b. For pipeline deliveries, the Contractor will make necessary arrangements with the commercial pipelines connected to the DOE or its interconnecting pipelines. Nomination information regarding these deliveries will be provided to the DOE not later than five days prior to the month in which deliveries will be made.

c. The Contractor shall be responsible for meeting all delivery requirements imposed by the commercial facilities, including complying with the rules, regulations and procedures contained in applicable port/terminal manuals, pipeline tariffs, or other applicable documents.

d. Whenever an inspector is appointed by the Contractor to witness the delivery operation (gauging, sampling, testing, etc.), written notification shall be provided to the DOE, no later than 72 hours prior to the scheduled date of each applicable cargo delivery to the DOE.

e. Absence of the name(s) of a Contractor’s inspector on the delivery documentation constitutes acceptance by the Contractor of the delivery quantity and quality as determined by the DOE and/or its representative(s).

f. The Contractor is solely responsible for making the necessary arrangements with terminals and pipeline carriers, including tankage, to achieve any minimum rate/quantity required by connecting commercial facilities to ensure Exchange Oil deliveries are made to DOE delivery location(s).

g. To assist the DOE’s reporting under the Cargo Preference Act, the Contractor, at the time of delivery, shall provide information regarding the marine transportation of the Exchange Oil into the DOE. Information required is the origin port, flag of registry, vessel name, destination port and transportation costs. If the Contractor acquires non-domestic Exchange Oil which has already been delivered to a U.S. port, information is required as to the date acquired by the Contractor and the oil’s location, e.g., name of U.S. terminal or storage facility, at that time.

h. Within seven (7) days of award, the Contractor shall provide a copy of a charter and/or agreement documenting the use of U. S. Flag Transportation for the contract volumes agreed upon in the award. If documentation is not received, the conditions listed F.2.i. below will apply.

i. If during the performance of a contract awarded on the basis of foreign flag vessel delivery, U. S.-flag vessel(s) become available for use by the Contractor, the Contracting Officer will consider a request for contract modification for use of such vessels.

If U.S. tonnage is offered which requires multiple delivery vessels (e.g. lightering) the mother vessel, at a minimum, must be of U.S. registry.

Offerors are cautioned that if U.S. flag tonnage is not secured after it was agreed upon in the contract it may result, at the Government's option, in termination by default or the obligation to provide additional crude oil to the SPR to compensate for the freight differential of substituting foreign flag tonnage. The calculation of the freight differential will be determined by the Contracting officer.

j. The Contractor's vessel agent, who will be nominated for approval by the DOE, will be responsible for providing the DOE with full delivery information for all Exchange Oil deliveries, to include load port quantities, departure timeframes and all pertinent data. Additionally, pre-arrival information shall be provided regarding delivery volumes, ETAs and any special delivery requirements that may affect the expedient discharge of the vessel.

F.3 Environmental Compliance

Failure of the Contractor or the Contractor's subcontractor(s) to comply with all applicable rules and regulations in the transportation of crude oil will be considered a failure to comply with the terms of any contract containing these provisions, and may result in termination for default, unless, in accordance with Paragraph G.7, such failure was beyond the control and without the fault or negligence of the Contractor, its affiliates, its agents or subcontractors at any tier.

F.4 Delivery and Receipt Documentation of Royalty Oil

a. The Pipeline Operator of the Market Center will provide to the Contractor a copy of the standard industry practice meter run tickets documenting the delivery/receipt of Royalty Oil at the Market Center.

b. Within 15 days after the end of each month, the Contractor shall provide to the Contracting Officer in a format specified by the Contracting Officer, a summary by Market Center of the quantity of Royalty Oil received. The Contractor shall provide the Contracting Officer the point of contact responsible for this information.

F.5 Delivery and Receipt Documentation of Exchange Oil

The quantity and quality determination of the Exchange Oil provided by the Contractor shall be documented on the Material Inspection and Receiving Report (DD Form 250 for pipeline receipts or DD Form 250-1 for vessel receipts)(see Exhibit D1 and D2 for samples of the forms). Copies of the completed DD Forms 250 or 250-1, with applicable supporting documentation (i.e., metering or tank gauging tickets and appropriate calculation worksheets), will be furnished to the Contractor and/or the Contractor's authorized representative after completion of delivery.

SECTION G - CONTRACT ADMINISTRATION DATA AND PROVISIONS

G.1 DOE SPR Correspondence Procedures

To promote timely and effective administration, correspondence submitted under this contract shall be subject to the following procedures:

(a) Technical Correspondence. Technical correspondence (as used herein, this term excludes technical correspondence that proposes or otherwise involves waivers, deviations, or modifications to the requirements, terms, or conditions, of this contract) shall be addressed to the Contracting Officer's Representative (COR). An information copy (without enclosures) shall be provided to the Contracting Officer.

(b) Other Correspondence. All other correspondence shall be addressed to the Contracting Officer, with information copies of the correspondence to the (COR).

(c) Contracting Officer's Address. The Contracting Officer's address is as follows:

M. G. Waggoner
Contracting Officer
Department of Energy
Strategic Petroleum Reserve
ATTN: FE-4451
900 Commerce Road East
New Orleans, LA 70123
(504) 734-4444

(d) All correspondence shall contain the following information:

Contract Number:
Subject of Correspondence:

G.2 Department of Energy Contract Specialist for Post Award Administration

The Department of Energy Contract Specialist is:

Rose Gaillard
Department of Energy
Strategic Petroleum Reserve
ATTN: FE-4451
900 Commerce Road East
New Orleans, LA 70123
(504) 734-4776

The Contractor shall use the Contract Specialist as the point of contact on all but technical matters (see Paragraph G.l.(a), above, for definition).

G.3 Contracting Officer's Representative for Post Award Administration

The Contracting Officer's Representative (COR) is:

Mr. David Callahan
Department of Energy
Strategic Petroleum Reserve
ATTN: FE-4422
900 Commerce Road East
New Orleans, LA 70123
(504) 734-4327

The alternate COR is: FE-4422, Mr. Bill A. Shourbaji (504) 734-4637

The Contractor shall use the COR as the point of contact on technical matters (see G.1.(a), above, for definition).

G.4 Default

a. The Government may, by written notice of default to the Customer, terminate this contract in whole or in part if the Customer fails to -

(1) Remove the crude oil within the time specified in this contract or any extension;

(2) Make progress in scheduling of contracted deliveries, so as to endanger performance of this contract; or

(3) Perform any of the other provisions of this contract.

b. The rights and remedies of the Government in this clause are in addition to any other rights and remedies provided by law or under this contract.

G.5 Disputes

a. This contract is subject to the Contract Disputes Act of 1978, as amended (41 U.S.C. Section 601 et seq.). If a dispute arises relating to the contract, the Customer may submit a claim to the Contracting Officer, who shall issue a written decision on the dispute in the manner specified in 48 CFR 1-33.211.

b. "Claim" means:

(1) A written request submitted to the Contracting Officer;

(2) For payment of money, adjustment of contract terms, or other relief;

(3) Which is in dispute or remains unresolved after a reasonable time for its review and disposition by the Government; and

(4) For which a Contracting Officer's decision is demanded.

c. In the case of dispute requests or amendments to such requests for payment exceeding $100,000, the Customer shall certify at the time of submission as a claim, as follows:

I certify that the claim is made in good faith, that the supporting data are current, accurate and complete to the best of my knowledge and belief and that the amount requested accurately reflects the contract adjustment for which the Customer believes the Government is liable.

Customer's Name ______________________________

Signature ______________________________________

Title ____

d. The Government shall pay to the Customer interest on the amount found due to the Customer on claims submitted under this provision at the rate established by the Department of the Treasury from the date the amount is due until the Government makes payment. The Contract Disputes Act of 1978, as amended, and the Prompt Payment Act adopt the interest rate established by the Secretary of the Treasury under the Renegotiation Act as the basis for computing interest on money owed by the Government. This rate is published semi-annually in the Federal Register.

e. The Customer shall pay, to the Government, interest on the amount found due to the Government and unpaid on claims submitted under this provision at the rate specified in Paragraph d. above from the date the amount is due until the Customer makes payment.

f. The decision of the Contracting Officer shall be final and conclusive and shall not be subject to review by any forum, tribunal, or Government agency unless an appeal or action is commenced within the times specified by the Contract Disputes Act of 1978, as amended.

g. The Customer shall comply with any decision of the Contracting Officer and at the direction of the Contracting Officer shall proceed diligently with performance of this contract pending final resolution of any request for relief, claim, appeal, or action related to this contract.

G.6 Termination for the Convenience of the Government

The Contracting Officer, by written notice, may terminate this contract, in whole or in part, when it is in the Government's interest. If this contract is terminated, the Government shall be liable only for actual costs incurred by the Customer before the effective date of termination.

G.7 Excusable Delays

a. In the event either party should be prevented from performing under this contract by reason of any unforeseeable cause beyond its control and without its fault or negligence, including, but not restricted to, acts of God or of the public enemy, sovereign acts of the United States, acts of a foreign Government, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes and unusually severe weather, performance under the contract shall be suspended in whole or in part until such cause ceases to exist and thereafter the time for fulfillment of the contract shall be extended by the length of time during which such cause prevented performance under the contract.

b. In order for this provision to become operative, the party to the contract affected by the excusable delay condition shall furnish the other party with written notice of the nature and extent of the excusable delay condition promptly after the commencement thereof, but in any event prior to outloading of the crude oil from the exchange location from which it is to be shipped. Written notice shall be furnished within ten (10) calendar days to the other party when the excusable delay condition ceases to exist.

G.8 Modification

No oral statement of any person shall modify or otherwise affect the terms, conditions, or specifications stated in this contract. All modifications to the contract shall be made in writing by the Contracting Officer.

G.9 Covenant Against Contingent Fees

a. The Offeror warrants that no person or agency has been employed or retained to solicit or obtain this contract upon an agreement or understanding for a contingent fee, except a bona fide employee or agency. For breach or violation of this warranty, the Government shall have the right to annul this contract without liability or, in its discretion, to add to the contract price or consideration, or otherwise recover, the full amount of the contingent fee.

b. “Bona fide agency,” as used in this paragraph, means an established commercial or selling agency, maintained by a Customer for the purpose of securing business, that neither exerts nor proposes to exert improper influence to solicit or obtain Government contracts nor holds itself out as being able to obtain any Government contract or contracts through improper influence.

c. “Bona fide employee,” as used in this paragraph, means a person, employed by a Offeror and subject to the Offeror’s supervision and control as to time, place, and manner of performance, who neither exerts nor proposes to exert improper influence to solicit or obtain Government contracts nor holds out as being able to obtain any Government contract or contracts through improper influence.

d. “Contingent fee,” as used in this paragraph, means any commission, percentage, brokerage, or other fee that is contingent upon the success that a person or concern has in securing a Government contract.

e. “Improper influence,” as used in this paragraph, means any influence that induces or tends to induce a Government employee or officer to give consideration or to act regarding a Government contract on any basis other than the merits of the matter.

G.10 Assignment

The Contractor shall not make or attempt to make any assignment of a contract that incorporates the clauses of this RFP or any interest therein contrary to the provisions of Federal law, including the Anti-Assignment Act (41 U.S.C. 15), without first notifying the Contracting Officer.

G.11 Officials Not to Benefit

No member of or delegate to Congress, or Resident Commissioner, shall be admitted to any share or part of this contract, or to any benefit arising from it. However, this clause does not apply to this contract to the extent that this contract is made with a corporation for the corporation’s general benefit.

G.12 Gratuities

a. The Government, by written notice to the Customer, may terminate the right of the Customer to proceed under this contract if it is found, after notice and hearing, by the Secretary of Energy or his duly authorized representative, that gratuities (in the form of entertainment, gifts, or otherwise) were offered by or given by the Customer, or any agent or representative of the Customer, to any officer or employee of the Government with a view toward securing a contract or securing favorable treatment with respect to the awarding, amending, or making of any determinations with respect to the performing of such contract; provided, that the existence of the facts upon which the Secretary of Energy or his duly authorized representative makes such findings shall be in issue and may be reviewed in any competent court.

b. In the event that this contract is terminated as provided in Paragraph (a) hereof, the Government shall be entitled (1) to pursue the same remedies against the Customer as it could pursue in the event of a breach of the contract by Customer, and (2) as a penalty in addition to any other damages to which it may be entitled by law, to exemplary damages in an amount (as determined by the Secretary of Energy or his duly authorized representative) which shall not be less than three nor more than 10 times the cost incurred by the Customer in providing any such gratuities to any such officer or employee.

c. The rights and remedies of the Government provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under this contract.

G.13 Novation Agreement

Notwithstanding the provisions contained in Provision G.10, the Government shall recognize a third party as the successor in interest to a Government contract(s) when the third party's interest in the contract arises out of a transfer of all the Customer assets involved in performing the contract. This shall be done through the execution of a Novation Agreement a copy of which shall be provided to the Government. A sample Novation Agreement is provided as Exhibit I.

SECTION H - CERTIFICATIONS

Please complete and return this section with your offer.

H.1 Certificate of Independent Value Determination

a. The Offeror certifies that -

(1) The Exchange Oil offered to Government has been arrived at independently, without, for the purpose of restricting competition, any consultation, communication, or agreement with any other Offeror or competitor relating to (i) those values, (ii) the intention to submit an offer, or (iii) the methods or factors used to calculate the values offered;

(2) The Exchange Oil offered to Government has not been and shall not be knowingly disclosed by the Offeror, directly or indirectly, to any other Offeror or competitor before contract award unless otherwise required by law; and

(3) No attempt has been made or shall be made by the Offeror to induce any other concern to submit or not to submit an offer for the purpose of restricting competition.

b. Each signature on the offer is considered to be a certification by the signatory that the signatory -

(1) Is the person in the Offeror’s organization responsible for determining the value being offered in this proposal, and that the signatory has not participated and shall not participate in any action contrary to Subparagraphs a.(1) through a.(3) above; or

(2)(i) Has been authorized, in writing, to act as agent for the following principals in certifying that those principals have not participated, and shall not participate in any action contrary to Subparagraphs a.(1) through a.(3) above

____

(insert full name of person(s) in the Offeror’s organization responsible for determining the quantities offered in this proposal, and the title of his/her position in the Offeror’s organization);

(ii) As an authorized agent, does certify that the principals named in subdivision b.(2)(i) above have not participated, and shall not participate, in any action contrary to Subparagraphs a.(1) through a.(3) above; and

(iii) As an agent, has not personally participated, and shall not participate, in any action contrary to Subparagraphs a.(1) through a.(3) above.

c. If the Offeror deletes or modifies Subparagraph a.(2) above, the Offeror shall furnish with its offer a signed statement setting forth in detail the circumstances of the disclosure.

H.2 Contingent Fee Representation and Agreement

a. Representation. The Offeror represents that, except for full-time bona fide employees working solely for the Offeror, the Offeror: (Note: The Offeror shall check the appropriate boxes. For interpretation of the representation, including the term bona fide employee, see Provision G.9.)

(1) ______ has, ______ has not employed or retained any person or company to solicit or obtain this contract; and

(2) ______ has, ______ has not paid or agreed to pay to any person or company employed or retained to solicit or obtain this contract any commission, percentage, brokerage, or other fee contingent upon or resulting from the award of this contract.

b. Agreement. The Offeror agrees to provide information relating to the above Representation as requested by the Contracting Officer and, when Subparagraph (a)(1) or (a)(2) is answered affirmatively, to promptly submit to the Contracting Officer-

(1) A completed Standard Form 119, Statement of Contingent or Other Fees, (SF 119); or

(2) A signed statement indicating that the SF 119 was previously submitted to the same Contracting Officer, including the date and applicable solicitation or contract number, and representing that the prior SF 119 applies to this offer or quotation.

H.3 Certification Regarding Debarment, Suspension, Proposed Debarment and Other Responsibility Matters

a. (1) The Offeror certifies, to the best of its knowledge and belief, that -

(i) The Offeror and/or any of its Principals –

(A) Are (______) are not (______) presently debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by a Federal agency.

(B) Have (______) have not (______), within a 3-year period preceding this offer, been convicted of or had a civil judgment rendered against them for: commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, state or local) contract or subcontract; violation of Federal or state antitrust statutes relating to the submission of offers; or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property; and

(C) Are (______) are not (______) presently indicted for, or otherwise criminally or civilly charged by a Governmental entity with, commission of any of the offenses enumerated in subdivision (a)(1)(i)(B) of this provision.

(ii) The Offeror has (______) has not (______) within a 3-year period preceding this offer, had one or more contracts terminated for default by any Federal agency.

(2) “Principals,” for the purposes of this certification, means officers; directors; owners; partners; and, persons having primary management or supervisory responsibilities within a business entity (e.g., general manager; plant manager; head of a subsidiary division, or business segment, and similar positions).

This certification concerns a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious, or fraudulent certification may render the maker subject to prosecution under section 1001, title 18, United States Code.

b. The Offeror shall provide immediate written notice to the Contracting Officer if, at any time prior to contract award, the Offeror learns that its certification was erroneous by reason of changed circumstances.

c. A certification that any of the items in Paragraph a. of this provision exists shall not necessarily result in withholding of an award under this solicitation. However, the certification shall be considered in connection with a determination of the Offeror’s responsibility. Failure of the Offeror to furnish a certification or provide such additional information as requested by the Contracting Officer may render the Offeror nonresponsive.

d. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render, in good faith, the certification required in Paragraph (a) of this provision. The knowledge and information of an Offeror is not required to exceed that which is normally processed by a prudent person in the ordinary course of business dealings.

e. The certification in Paragraph a. of this provision is material representation of fact upon which reliance was placed when making award. If it is later determined that the Offeror knowingly rendered an erroneous certification, in addition to the other remedies available to the Government, the Contracting Officer may terminate the contract resulting from this solicitation for default.

H.4 Letter of Credit Information

Provide below the name, address, phone number, and point of contact for the financial institution that will provide the letter of credit required by Clause B.9 of this solicitation.

Name of Bank Issuing
Letter of Credit ______________________________
Contact at Bank
(for verification): ______________________________

____

____

H.5 Business Status Certification

I hereby certify that we are ☐ are not ☐ a regular seller, purchaser, or trader of crude oil.

SECTION I - EXHIBITS

I.1 Exhibit A - Market Center Information
I.2 Exhibit B - Offer Form
I.3 Exhibit C – Exchange Oil Delivery Location Information
I.4 Exhibit D-1 - Sample Material Inspection and Receiving Report
Exhibit D-2 - Sample Tanker Barge Material Inspection and Receiving Report
I.5 Exhibit E - Contract Form
I.6 Exhibit F - DOE Crude Oil Specifications
I.7 Exhibit G - Sample – Offer Guarantee Irrevocable Standby Letter of Credit
I.8 Exhibit H - Sample – Performance Irrevocable Standby Letter of Credit
I.9 Exhibit I - Diagrams of DOE Facilities
I.10 Exhibit J - Sample Novation Agreement
I.11 Exhibit K - Cargo Preference Act

Exhibit A

Market Center Information
(Volumes available are estimates only)

Market Center	Crude Oil Type	QTY (MBD) Available	Total Royalty Available
Clovelly	**Mars**	**1,530**	**278,460**
St. James	**EIS**	**1,125**	**204,750**
	Bonito	**7,865**	**1,431,430**
	LLS	**8,045**	**1,464,190**
Empire	**HLS**	**22,360**	**4,069,520**
Houma	**Poseidon**	**3,130**	**569,660**

ROYALTY OIL QUANTITIES ARE ESTIMATES ONLY

Exhibit B

ROYALTY OIL			EXCHANGE OIL					
Market Center/ Oil Type	Barrels per Day	Total Contract Volume	Crude Oil Type	"Y"	API Gravity	Sulfur % Weight	Delivery Mode/Location*	DOE Site**

THIS OFFER SHALL REMAIN VALID UNTIL: ___________________________.

***Delivery Modes:**	***Location**		****DOE Site Code:**
P/L = Pipeline	**LCMS**	**Shell Pipeline**	**BH = Big Hill**
US = U.S. Flag Vessel	**Sun**		
FF = Foreign Flag Vessel	**UNOCAL**		**WH = West Hackberry**

NOTE: If multiple ("basket") crudes are used in an offer, each crude and its API and Sulfur must be listed individually. A single "y" value shall be used for each basket.

EXHIBIT C

EXCHANGE OIL DELIVERY LOCATION INFORMATION

Contact for delivery information Oil Movements Scheduling
Chuck Costanza DynMcDermott Petroleum   Operations Company 850 S. Clearview Parkway New Orleans, LA 70123 Phone: 504-734-4733 FAX: 504-734-4442 Alternate: Michael Davis Phone: 504-734-4417

Shell 20-INCH PIPELINE
(DOE CONNECTION)

Location: Jefferson County, Texas (near eastside of Hebert Junction at mile marker 17.40).

Receiving/Delivery Point: Tie-in connection of Shell 20-inch pipeline and DOE Big Hill pipeline. DOE pipeline is bi-directional.

Marine Distribution Facilities: None

EXHIBIT C
(Continued)
EXCHANGE OIL DELIVERY LOCATION INFORMATION

SUN PIPE LINE COMPANY
NEDERLAND TERMINAL

Location: Nederland, Texas (on the Neches River at Smiths Bluff in southwest Texas, 47.6 nautical miles from the bar)

Delivery Points: Sun Terminal marine dock facility and Sun Terminal connections to local commercial pipelines

Marine Dock Facilities and Vessel Restrictions:

Tankship Docks: 5 Docks: Nos. 1, 2, 3, 4 and 5
3 Barge Docks

Maximum Length Overall (LOA): 1000 feet

Maximum Beam: 150 feet

Maximum Draft: 40 feet fresh water

Maximum Air Draft: 136 feet

Maximum Deadweight Tons (DWT): Maximum DWT at Dock No. 1 is 85,000 DWT. Dock Nos. 2, 3, 4 and 5 can accommodate up to 150,000 DWT. Vessels larger than 85,000 DWT, 875 ft LOA and 125 ft beam are restricted to daylight transit. Maximum DWT is theoretical berth handling capability; however, Contractors are cautioned that varying harbor and channel physical constraints are the controlling factors as to vessel size, and they are responsible for confirming that proposed vessels can be accommodated.

Oily Waste Reception Facilities: Facilities are available for oily bilge water and sludge wastes. Contractors are responsible for making arrangements with the terminal and for bearing costs associated with such arrangements.

Customary Anchorage: South of Sabine Bar Buoy. There is an additional anchorage at the Sabine Bar for vessels with draft of 39 feet or less.

EXHIBIT C
(Continued)
EXCHANGE OIL DELIVERY LOCATION INFORMATION

Equilon 22-INCH/DOE LAKE CHARLES PIPELINE CONNECTION

Location: Lake Charles Upper Junction, located in Section 36, Township 10 South, Range 10 West, Calcasieu Parish, (Lake Charles) Louisiana

Delivery Point: Equilon 22-Inch/DOE Lake Charles Pipeline Connection

Marine Distribution Facilities: None

EXHIBIT C
(Continued)
EXCHANGE OIL DELIVERY LOCATION INFORMATION

UNOCAL BEAUMONT TERMINAL

Location: Beaumont Terminal No. 2 Crude Dock, located downstream south bank of the Neches River approximately eight miles SE of Beaumont, Texas.

Delivery Points: UNOCAL Beaumont Terminal No. 2 Crude Dock

Marine Dock Facilities and Vessel Restrictions:

Tankship Docks: No. 2 Crude Dock and Main Dock, No. 3 Spot

Maximum Length
Length Overall (LOA): 1020 feet

Maximum Beam: 150 feet

Maximum Draft: 40 feet fresh water

Maximum Air Draft: 136 Feet

Maximum Deadweight Tons {DWT): Maximum DWT at Dock No. 2 is 150,000 DWT. Vessels larger than 85,000 DWT, 875 ft LOA and 125 ft beam are restricted to daylight transit. Maximum DWT is theoretical berth handling capability; however, Contractors are cautioned that varying harbor and channel physical constraints are the controlling factors as to vessel size, and they are responsible for confirming that proposed vessels can be accommodated.

Oily Waste Reception Facilities: Facilities are available for oily bilge water and sludge wastes. Contractors are responsible for making arrangements with the terminal and for bearing costs associated with such arrangements.

Vapor Control Capability: Dock 2 is equipped with a crude oil vapor control system. All vessels loading crude must be outfitted with vapor control equipment. No vessel will be allowed to load without this equipment onboard.

Customary Anchorage: South of Sabine Bar Buoy. There is an additional anchorage at the Sabine Bar for vessels with draft of 39 feet or less.

EXHIBIT D-1
SAMPLE MATERIAL INSPECTION AND RECEIVING REPORT

MATERIAL INSPECTION AND RECEIVING REPORT

Form Approved
OMB No. 0704-0248

1. PROC. INSTRUMENT IDEN. (CONTRACT)	(ORDER) NO.	6. INVOICE NO./DATE	7. PAGE	OF	8. ACCEPTANCE POINT

2. SHIPMENT NO.	3. DATE SHIPPED	4. B/L TCN	5. DISCOUNT TERMS

9. PRIME CONTRACTOR *CODE*	10. ADMINISTERED BY *CODE*
11. SHIPPED FROM (if other than 9) *CODE* FOB:	12. PAYMENT WILL BE MADE BY *CODE*
13. SHIPPED TO CODE	14. MARKED FOR *CODE*

15. ITEM NO.	**16. STOCK/PART NO. DESCRIPTION** ***(Indicate number of shipping containers - type of container - container number.)***	**17. QUANTITY SHIP / REC'D ***	**18. UNIT**	**19. UNIT PRICE**	**20. AMOUNT**

21. CONTRACT QUALITY ASSURANCE

A. ORIGIN

☐ CQA ☐ ACCEPTANCE of listed items has been made by me or under my supervision and they conform to contract, except as noted herein or on supporting documents.

DATE SIGNATURE OF AUTH GOVT REP

TYPED NAME
AND OFFICE

B. DESTINATION

☐ CQA ☐ ACCEPTANCE of listed items has been made by me or under my supervision and they conform to contract, except as noted herein or on supporting documents.

DATE SIGNATURE OF AUTH GOVT REP

TYPED NAME
AND OFFICE

22. RECEIVER'S USE

Quantities shown in column 17 were received in apparent good condition except as noted.

DATE RECEIVED SIGNATURE OF AUTH GOVT REP

TYPED NAME
AND OFFICE

***** *If quantity received by the Government is the same, as quantity shipped, indicate by (√) mark, if different, enter actual quantity received below quantity shipped and encircle.*

23. CONTRACTOR USE ONLY

D Form 250, DEC 91 ***Previous editions are obsolete.***

EXHIBIT D-2
SAMPLE TANKER BARGE MATERIAL INSPECTION AND RECEIVING REPORT

TANKER/BARGE MATERIAL INSPECTION AND RECEIVING REPORT	Form Approved OMB No. 0704-0248 Expires Dec 31, 1990

Public reporting burden for this collection of information is estimated to average 35 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0248), Washington, DC 20503.

1. TANKER/BARGE ☐ LOADING REPORT ☐ DISCHARGE REPORT	2. INSPECTION OFFICE	3. REPORT NUMBER
4. AGENCY PLACING ORDER ON SHIPPER, CITY, STATE AND/OR LOCAL ADDRESS (*Loading*)	5. DEPARTMENT	6. PRIME CONTRACT OR P.O. NUMBER
7. NAME OF PRIME CONTRACTOR, CITY, STATE AND/OR LOCAL ADDRESS *(Loading)*		8. STORAGE CONTRACT
9. TERMINAL OR REFINERY SHIPPED FROM, CITY, STATE AND/OR LOCAL ADDRESS *(Loading)*		10. ORDER NUMBER ON SUPPLIER
11. SHIPPED TO *(Receiving Activity, City, State and/or Local Address)*		12. B/L NUMBER 13. REQN. OR REQUEST NO. / 14. CARGO NO.
15. VESSEL	16. DRAFT ARRIVAL FORE AFT	17. DRAFT SAILING FORE AFT
18. PREVIOUS TWO CARGOES FIRST LAST	19. PRIOR INSPECTION	
20. CONDITION OF SHORE PIPELINE	21. APPROPRIATION *(Loading)*	22. CONTRACT ITEM NO.
23. PRODUCT	24. SPECIFICATIONS	

25. STATEMENT OF QUANTITY	LOADED	DISCHARGED	LOSS/GAIN	PER CENT
BARRELS *(42 Gals) (Net)*				
GALLONS *(Net)*				
TONS *(Long)*				

26. STATEMENT OF QUALITY

TESTS	SPECIFICATION LIMITS	TEST RESULTS

27. TIME STATEMENT	DATE	TIME
NOTICE OF READINESS TO LOAD DISCHARGE		
VESSEL ARRIVED IN ROADS		
MOORED ALONGSIDE		
STARTED BALLAST DISCHARGE		
FINISHED BALLAST DISCHARGE		
INSPECTED AND READY TO LOAD DISCHARGE		
CARGO HOSES CONNECTED		
COMMENCED LOADING DISCHARGE		
STOPPED LOADING DISCHARGING		
RESUMED LOADING DISCHARGING		
FINISHED LOADING DISCHARGING		
CARGO HOSES REMOVED		
VESSEL RELEASED BY INSPECTOR		
COMMENCED BUNKERING		
FINISHED BUNKERING		
VESSEL LEFT BERTH *(Actual/Estimated)*		

28. REMARKS *(Note in detail cause of delays such as repairs, breakdown, slow operation, stoppages, etc.)*

29. COMPANY OR RECEIVING TERMINAL

____
(Signature)

30. I CERTIFY THAT THE CARGO WAS INSPECTED, ACCEPTED AND LOADED/ DISCHARGED AS INDICATED HEREON.

__________ *(Date)* __________________ *(Signature of Authorized Government Representative)*

31. I HEREBY CERTIFY THAT THIS TIME STATEMENT IS CORRECT.

___________________________ *(Master or Agent)*

DD Form 250-1, JAN 90 *Previous editions are obsolete.* 348/051

EXHIBIT E

CONTRACT FORM

ROYALTY OIL EXCHANGE NEGOTIATED CONTRACT	CONTRACT NUMBER	Page 1 of 1

This contract is entered into by and between the United States of America, hereinafter called the "Government," represented by the Contracting Officer executing this contract and the Contractor below identified. The Government agrees to make available the Royalty Oil to the Contractor in the location and amount specified below and the Contractor agrees to provide the Exchange Oil described in Exhibit B in accordance with the terms and conditions of this contract.

OIL TYPE/ LOCATION	TOTAL BARRELS PER DAY	TOTAL CONTRACTED VOLUME	CRUDE OIL Type	"Y"	API GRAVITY	SULFUR % MASS	DELIVERY MODE/ LOCATION	DOE SITES

EXECUTION BY CONTRACTOR	EXECUTION BY GOVERNMENT	
DATE (Day, Month, Year)	**UNITED STATES OF AMERICA** **BY:**	**DATE:**
NAME OF CONTRACTOR		
ADDRESS (Street, City, State & Zip Code) (Type or Print)	**NAME AND TITLE OF CONTRACTING OFFICER**	
INTERNET ADDRESS	**Contracting Officer** **U. S. Department of Energy** **Acquisition and Sales Division**	
SIGNATURE AND TITLE OF PERSON AUTHORIZED TO **SIGN THIS CONTRACT** (Type or print name and title under Signature)		

EXHIBIT F
STRATEGIC PETROLEUM RESERVE
CRUDE OIL SPECIFICATIONS
(MAY 2001)[a]

CHARACTERISTIC	SOUR[b]	SWEET[c]	PRIMARY ASTM TEST METHOD[d]
API Gravity [°API]	30 - 45	30 - 45	D 1298 or D 5002
Total Sulfur [Mass %], max.	1.99	0.50	D 4294
Pour Point [°C], max.	10	10	D 97
Salt Content [Mass %], max.	0.050	0.050	D 6470
Viscosity [cSt @ 15.6°C], max.	32	32	D 445
[cSt @ 37.8°C], max.	13	13	
Reid Vapor Pressure [kPa @ 37.8°C], max.	76	76	D 323 or D 5191
Total Acid Number [mg KOH/g], max.	1.00	1.00	D 664
Water and Sediment [Vol. %], max.	1.0	1.0	D 4006 or D4928, & D 473
Yields [Vol. %]			D 2892 & D 5236
Naphtha [28-191°C]	24 - 30	21 - 42	
Distillate [191-327°C]	17 - 31	19 - 45	
Gas Oil [327-566°C]	26 - 38	20 - 42	
Residuum [>566°C]	10 - 19	14 max.	

[ε3] This revision changes the primary ASTM methods used for distillation and determination of sulfur content. It also updates the list of crude oils meeting these specifications.

[a]Marketable virgin crude petroleum suitable for normal refinery processing and free of foreign contaminants or chemicals including, but not limited to, chlorinated and/or oxygenated hydrocarbons, and lead.

[b] Crude oils that meet these sour specifications include Arabian Berri, Arabian Light, Bonito Sour, Eugene Island, Flotta, Isthmus, Lagomedio, Mars, Mesa 30, Olmeca, Oman, Qatar Marine, Russian Export Blend (Urals), Tia Juana Light, and West Texas Sour.

[c] Crude oils that meet these sweet specifications include Bonny Light, Brass River, Brent, Cusiana, Ekofisk, Escravos, Forties, Heavy Louisiana Sweet, Kole Marine, Light Louisiana Sweet, Nemba, Oseberg, Qua Iboe, Saharan Blend, Santa Barbara, Statfjord, West Texas Intermediate, and Zarzaitine.

NOTE 1: Crude oils other than those listed above may be acceptable. The acceptability of any crude oil depends upon an assay typical of current production quality of the stream.

NOTE 2: All crude oil shipments received by the SPR are tested to ensure they meet the above specifications. Should successive shipments fail to meet these specifications, the stream may be deleted from the list of approved crude oils.

[d] Alternate methods may be used if approved by the contracting officer.

EXHIBIT G

SAMPLE – OFFER GUARANTEE STANDBY LETTER OF CREDIT

(NOTE: FORM MAY VARY, SUBSTANCE MAY NOT)

BANK LETTERHEAD
IRREVOCABLE OFFER GUARANTEE STANDBY LETTER OF CREDIT

DATE: __________________________

TO: Acquisition and Sales Division
Mail Stop FE-4451
Project Management Office
Strategic Petroleum Reserve
U.S. Department of Energy
900 Commerce Road East
New Orleans, LA 70123

To the Strategic Petroleum Reserve Exchange Contracting Officer:

By order of our customer _______________________________ we hereby establish in the U.S. Department of Energy's favor, an irrevocable standby Letter of Credit, Numbered __________________, for an amount not to exceed U.S. $______________(____________________) effective immediately on account of our customer in response to the U.S. Department of Energy's Solicitation No. _________, including any amendments thereto, for the exchange of Strategic Petroleum Reserve petroleum. This Letter of Credit expires 30 days from the date of issuance of this Letter of Credit.

This Letter of Credit is available by wire payment to the U.S. Department of Energy against presentation of a demand on us of a manually signed statement (with blanks filled in) containing the applicable statement:

- **"This drawing of U.S. $_________(_____________) against your Letter of Credit Numbered _________ dated _________________, is due the U.S. Government because of the failure of ___________________ to honor its offer to enter into a contract for the exchange of petroleum from the Strategic Petroleum Reserve, in accordance with the U.S. Government's Royalty In Kind Solicitation No. _______________, including any amendments thereto.**

- **This drawing of U.S. $________________(_____________) against your Letter of Credit Numbered ________________dated ______________, is due the U.S. Government because of the failure of ________________to provide acceptable Performance Irrevocable Standby Letter of Credit for Contract Number _____________________.**

Upon receipt of the U.S. Department of Energy's demand by hand, mail express delivery, or other means, at our office located at ________________________, we will honor the demand and make payment, by 3 p.m. Eastern Time of the next business day following receipt of the demand, by either wire transfer of funds as a deposit to the account of the U.S. treasury over the Fedwire Deposit System Network, or by electronic funds transfer through the Automated Clearing House Network, using the Federal Remittance Express Program. The information to be included in each transfer will be as provided by the above reference Royalty In Kind Solicitation.

This Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision, International Chamber of Commerce Publication no. 500) and except as may be inconsistent therewith, to the Uniform Commercial Code in effect on the date of issuance of this Letter of Credit in the state in which the issuer's head office within the United States is located.

Address all communications regarding this Letter of Credit to ____.

Yours truly,

____
(Authorized Signature)

____
(Typed Name and Title)

NOTE: FORM MAY VARY, SUBSTANCE MAY NOT

EXHIBIT H
SAMPLE – IRREVOCABLE PERFORMANCE STANDBY LETTER OF CREDIT

(NOTE: FORM MAY VARY, SUBSTANCE MAY NOT)

BANK LETTERHEAD
IRREVOCABLE PERFORMANCE STANDBY LETTER OF CREDIT

TO: U.S. Department of Energy
Strategic Petroleum Reserve
Project Management Office
900 Commerce Road East
New Orleans, LA 70123

EFFECTIVE DATE: ____
AMOUNT OF LETTER OF CREDIT: __________________________
CONTRACTOR: ____
CONTRACT NO: ____
LETTER OF CREDIT NO: ___________________________________

Gentlemen:

We hereby establish our "Irrevocable Standby Letter of Credit" in your favor, available by your draft/s at sight, drawn on (Name of Bank issuing this Standby letter of Credit) accompanied by a manually signed statement that the signer is "an authorized representative of the Department of Energy", and the following applicable statement:

- "I hereby certify that (Contractor) has failed to deliver Exchange Oil in accordance with the terms of Contract Number __________, and as a result owes the Government $_______________.

- "I hereby certify that (Contractor) has failed to make final reconciliation payment in accordance with the terms of Contract Number _______________, and as a result owes the Government $_______.

Drafts must be presented for payment on or before the expiration date of this Letter of Credit, (Expiration Date), at our bank. The Government may make multiple drafts against this Letter of Credit.

Upon receipt of the U.S. Department of Energy's demand by hand, mail express delivery, or other means, at our office located at _________________________, we will honor the demand and make payment, by 3 p.m. Eastern Time of the next business day following receipt of the demand, by either wire transfer of funds as a deposit to the account of the U.S. treasury over the Fedwire Deposit System Network, or by electronic funds transfer through the Automated Clearing House Network, using the Federal Remittance Express Program. The information to be included in each transfer will be as provided by the above reference Royalty In Kind Solicitation.

This Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision, International Chamber of Commerce Publication no. 500) and except as may be inconsistent therewith, to the Uniform Commercial Code in effect on the date of issuance of this Letter of Credit in the state in which the issuer's head office within the United States is located.

We hereby agree with the drawers, endorsers and bona fide holders that all drafts drawn under and in compliance with the terms of this Letter of Credit will be duly honored upon presentation and delivery of the above documents for payment at our bank on or before the expiration date.

Very truly yours,

____
(Authorized Signature)

____
(Typed Name and Title)

NOTE: FORM MAY VARY, SUBSTANCE MAY NOT

EXHIBIT I

DIAGRAMS OF DOE FACILITIES

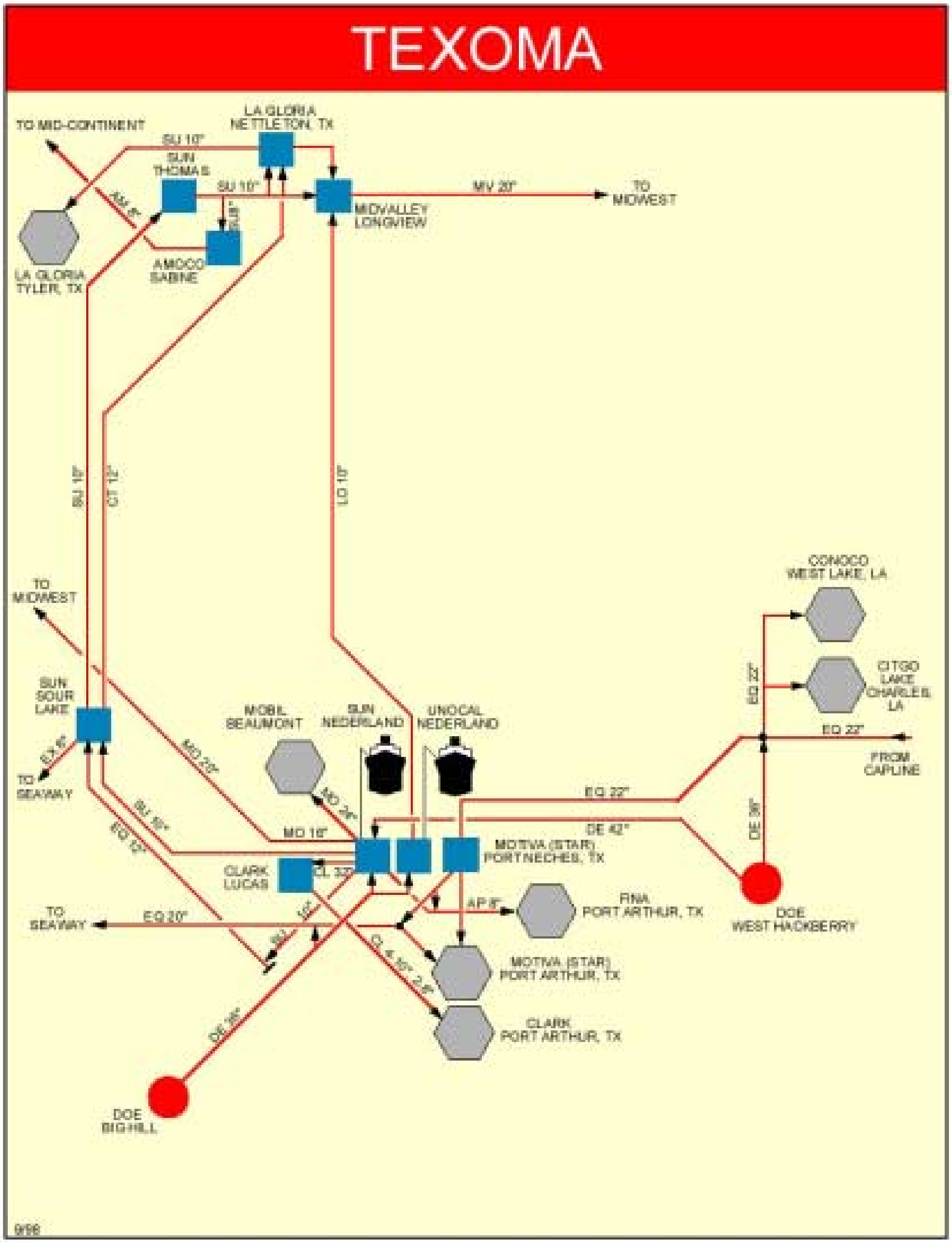

EXHIBIT J

SAMPLE NOVATION AGREEMENT

The ABC Corporation (Transferor), a corporation duly organized and existing under the laws of __________ [insert State] with its principal office in ____________ [insert city]; the XYZ Corporation (Transferee), [if appropriate add "formerly known as] a corporation duly organized and existing under the laws of _________ [insert State] with its principal office in ____________ [insert city]; and the United States of America (Government) enter into this Agreement as of ____________ [insert the date transfer of assets became effective under applicable State law].

(a) The parties agree to the following facts:

(1) The Government, represented by various Contracting Officers of the ______________ [insert name(s) of agency(ies)], has entered into certain contracts with the Transferor, namely: ____________ [insert contract or purchase order identifications]; [or delete "namely" and insert "as shown in the attached list marked `Exhibit A' and incorporated in this Agreement by reference.'']. The term "the contracts," as used in this Agreement, means the above contracts and purchase orders and all other contracts and purchase orders, including all modifications, made between the Government and the Transferor before the effective date of this Agreement (whether or not performance and payment have been completed and releases executed if the Government or the Transferor has any remaining rights, duties, or obligations under these contracts and purchase orders). Included in the term "the contracts" are also all modifications made under the terms and conditions of these contracts and purchase orders between the Government and the Transferee, on or after the effective date of this Agreement.

(2) As of ____________, 20__, the Transferor has transferred to the Transferee all the assets of the Transferor by virtue of a __________ [insert term descriptive of the legal transaction involved] between the Transferor and the Transferee.

(3) The Transferee has acquired all the assets of the Transferor by virtue of the above transfer.

(4) The Transferee has assumed all obligations and liabilities of the Transferor under the contracts by virtue of the above transfer.

(5) The Transferee is in a position to fully perform all obligations that may exist under the contracts.

(6) It is consistent with the Government's interest to recognize the Transferee as the successor party to the contracts.

(7) Evidence of the above transfer has been filed with the Government.

(b) In consideration of these facts, the parties agree that by this Agreement--

(1) The Transferor confirms the transfer to the Transferee, and waives any claims and rights against the Government that it now has or may have in the future in connection with the contracts.

(2) The Transferee agrees to be bound by and to perform each contract in accordance with the conditions contained in the contracts. The Transferee also assumes all obligations and liabilities of, and all claims against, the Transferor under the contracts as if the Transferee were the original party to the contracts.

(3) The Transferee ratifies all previous actions taken by the Transferor with respect to the contracts, with the same force and effect as if the action had been taken by the Transferee.

(4) The Government recognizes the Transferee as the Transferor's successor in interest in and to the contracts. The Transferee by this Agreement becomes entitled to all rights, titles, and interests of the Transferor in and to the contracts as if the Transferee were the original party to the contracts. Following the effective date of this Agreement, the term "Contractor," as used in the contracts, shall refer to the Transferee.

(5) Except as expressly provided in this Agreement, nothing in it shall be construed as a waiver of any rights of the Government against the Transferor.

(6) All payments and reimbursements previously made by the Government to the Transferor, and all other previous actions taken by the Government under the contracts, shall be considered to have discharged those parts of the Government's obligations under the contracts. All payments and reimbursements made by the Government after the date of this Agreement in the name of or to the Transferor shall have the same force and effect as if made to the Transferee, and shall constitute a complete discharge of the Government's obligations under the contracts, to the extent of the amounts paid or reimbursed.

(7) The Transferor and the Transferee agree that the Government is not obligated to pay or reimburse either of them for, or otherwise give effect to, any costs, taxes, or other expenses, or any related increases, directly or indirectly arising out of or resulting from the transfer or this Agreement, other than those that the Government in the absence of this transfer or Agreement would have been obligated to pay or reimburse under the terms of the contracts.

(8) The Transferor guarantees payment of all liabilities and the performance of all obligations that the Transferee--

(i) Assumes under this Agreement; or

(ii) May undertake in the future should these contracts be modified under their terms and conditions. The Transferor waives notice of, and consents to, any such future modifications.

(9) The contracts shall remain in full force and effect, except as modified by this Agreement. Each party has executed this Agreement as of the day and year first above written.

ABC Corporation,

By ____

Title ____________________________________

[Corporate Seal]

XYZ Corporation,

By____

Title _____________________________________

[Corporate Seal]

Certificate

I, ___________, certify that I am the Secretary of ABC Corporation, that ________________, who signed this Agreement for this corporation, was then _____________ of this corporation; and that this Agreement was duly signed for and on behalf of this corporation by authority of its governing body and within the scope of its corporate powers. Witness my hand and the seal of this corporation this day of __________________ 20 ____.

By ____

[Corporate Seal]

Certificate

I, ____________, certify that I am the Secretary of XYZ Corporation, that ________________, who signed this Agreement for this corporation, was then _____________ of this corporation; and that this Agreement was duly signed for and on behalf of this corporation by authority of its governing body and within the scope of its corporate powers. Witness my hand and the seal of this corporation this day of ____________________20___.

By ____

EXHIBIT K

CARGO PREFERENCE ACT

Ocean shipments of crude oil for the SPR are generally subject to the requirements of the Cargo Preference Act, as amended, Pub. L. No. 83-664, 68 Stat. 832, 46 U.S.C. § 1241(b). The Act provides in pertinent part that:

> Whenever the United States shall procure, contract for, or otherwise obtain for its own account, or shall furnish to or for the account of any foreign nation without provision for reimbursement, any equipment, materials, or commodities, within or without the United States, or shall advance funds or credits or guarantee the convertibility of foreign currencies in connection with the furnishing of such equipment, materials, or commodities, the appropriate agency or agencies shall take such steps as may be necessary and practicable to assure that at least 50 percentum of the gross tonnage of such equipment, materials, or commodities . . . which may be transported on ocean vessels shall be transported on privately owned United States-flag commercial vessels, to the extent such vessels are available at fair and reasonable rates for United States-flag commercial vessels, in such manner as will insure a fair and reasonable participation of United States-flag commercial vessels in such cargoes by geographic areas.

Thus, the Cargo Preference Act requires DOE to take "such steps as may be necessary and practicable to assure that at least 50%" of oil for the SPR that is transported on ocean vessels be transported on United States flag-commercial *(sic)* vessels, if such vessels are available at fair and reasonable rates for United States-flag commercial vessels.

Source: U.S. Department of Justice, Office of Legal Counsel, Office of the Assistant Attorney General, "MEMORANDUM FOR ELIZABETH H. DOLE Secretary of Transportation and DONALD P. HODEL Secretary of Energy, Re: Applicability of the Cargo Preference Act to the Transportation of Alaskan Oil to the Strategic Petroleum Reserve," September 15, 1983.